

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 06701 291833Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 L-03 /058 W
-----102148 291917Z /50

R 291617Z AUG 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 2837
INFO USDOC WASHDC
AMEMBASSY BRUSSELS
AMEMBASSY PARIS

LIMITED OFFICIAL USE LISBON 6701

DEPT PASS EXIMBANK
DEPT PASS TREASURY FOR SYVRUD
BRUSSELS FOR EC
PARIS ALSO FOR OECD
PASS OPIC

E.O. 11652: N/A
TAGS: EINV, PO
SUBJ: REVISED FOREIGN INVESTMENT CODE

REF: LISBON 6673

1. EMBASSY OFFERS FOLLOWING ADDITIONAL INFORMATION AND COMMENTS ON REVISED FOREIGN INVESTMENT CODE:
-- CONTRARY TO EARLIER IMPRESSION, NEW REGULATIONS CONCERNING ACCESS OF FOREIGN INVESTORS TO MEDIUM AND LONG-TERM DOMESTIC CREDIT HAVE NOT CHANGED SUBSTANTIALY. (SEE ARTICLE 21 OF THE REVISED CODE AND PORTARIA NO. 537/77 IN "DIARIO DE REPUBLICA" OF AUGUST 24.) EMBASSY BELIEVES RESTRICTION ON MEDIUM AND LONG-TERM CREDIT SHOULD NOT PROVE TO BE A MAJOR HINDRANCE TO INVESTORS. VIRTUALLY ALL DOMESTIC-COMMERCIAL BANK
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LISBON 06701 291833Z

CREDIT IS SHORT-TERM, WITH REPEATED ROLLOVERS. IN ADDITION, REVISED CODE PERMITS WAIVER OF LIMITATION ON MEDIUM AND LONG-TERM CREDIT FOR FOREIGN FIRMS INVESTING UNDER CONTRACTUAL AGREEMENT;
-- CONTRACTUAL INVESTMENT AGREEMENTS WILL BE CONCLUDED FOR PROPOSALS OFFERING THE FOLLOWING: PROVEN TECHNICAL, ECONOMIC AND FINANCIAL VIABILITY; HIGH ANTICIPATED IN-

CREASE IN VALUE ADDED; CREATION OF AT LEAST 250 PERMANENT JOBS; ACTIVITY WITH A SPECIAL INTEREST TO THE NATIONAL ECONOMY; AN ANTICIPATED LARGER VOLUME OF EXPORTS THAN IMPORTS; ASSURANCE THAT PROFITS AND TECHNICAL TRANSFERS WILL NOT SURPASS THE INFLOW OF CAPITAL DURING A PERIOD TO BE DETERMINED BY THE NATURE OF THE PROJECT; FOREIGN FINANCING FOR NOT LESS THAN 50 PERCENT OF THE PROJECT; ADEQUATE PLANS FOR TRAINING OF PORTUGUESE PERSONNEL;

- THE ANNUAL TRANSFER OF DIVIDENDS AND PROFITS CAN BE DELAYED BECAUSE OF BALANCE OF PAYMENTS PROBLEMS, BUT NOT FOR MORE THAN ONE YEAR. FURTHER, THE 20 PERCENT LIMIT ON TOTAL PROFIT REMITTANCES HAS BEEN DROPPED;
- THE 20 PERCENT ANNUAL LIMIT ON REMITTANCE OF LIQUIDATION RECEIPTS IS RETAINED, BUT THE BLOCKED FUNDS CAN NOW BE PLACED IN AN INTEREST-PAYING FOREIGN CURRENCY DEPOSIT IN A PORTUGUESE INSTITUTION, THEREBY AVOIDING THE DANGERS OF DEVALUATION;
- THE REVISED CODE OFFERS THE POSSIBILITY OF RECOURSE TO INTERNATIONAL ARBITRATION FOR THOSE FOREIGN FIRMS WHOSE ASSETS HAVE BEEN EXPROPRIATED OR NATIONALIZED.

2. COMMENT: VIRTUALLY SIMULTANEOUS ANNOUNCEMENT OF AUG. 25 GOP ECONOMIC MEASURES AND PUBLICATION OF REVISED FOREIGN INVESTMENT CODE HAS DIVERTED ATTENTION FROM, AND LIMITED COMMENT ON, THE LATTER. THIS RELATIVE INATTENTION WILL PROBABLY BE SHORT-LIVED. THE NEW CODE'S LIBERALIZATION OF TRANSFER PAYMENTS WILL, FOR EXAMPLE, SPARK CONSIDERABLE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LISBON 06701 291833Z

CRITICISM FROM THE POLITICAL LEFT.

3. THE LIBERALIZATION OF THE CODE SHOULD BE A POSITIVE FACTOR IN ENCOURAGING FOREIGN INVESTMENT. THE FULL EFFECT OF THE REVISION IS UNLIKELY TO BE FELT, HOWEVER, UNTIL THE INTERNATIONAL BUSINESS COMMUNITY GAINS MORE CONFIDENCE IN THE PORTUGUESE ECONOMY AND IN THE GOP'S PROGRAM.

CARLUCCI

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REGULATIONS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON06701
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770312-0161
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770813/aaaaakma.tel
Line Count: 103
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 11fe5751-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LISBON 6673
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1451497
Secure: OPEN
Status: NATIVE
Subject: REVISED FOREIGN INVESTMENT CODE
TAGS: EINV, PO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/11fe5751-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009